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Decree on Grain Transportation Subsidies

Report Categories:

Grain and Feed

Policy and Program Announcements

Trade Policy Monitoring

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Report Highlights:

The Russian Government issued decree No. 1595 on the rules for providing grain transportation subsidies from the Federal Budget in 2017 and 2018. The measure came into force on December 21st, 2017, and will apply through June 30th, 2018. The decree allocates a total of 2.99 billion rubles in subsidies from the Federal Budget for the transportation of 3.181 MMT of wheat, barley, and corn from 13 regions of the Central, Volga, Ural, and Siberia Federal Districts. The measure is expected to stimulate grain exports from the involved regions, stabilize domestic grain prices, and support profit margins of agricultural producers. This report contains an unofficial English translation of the decree with its attachments.

General Information:

On December 20, 2017, the Russian Government issued [decree No. 1595](#) “On Approval of the Rules for the Provision of Subsidies from the Federal Budget in 2017 and 2018 to Open Joint Stock Company (OAO) “Russian Railways” for the Recovery of Revenue Losses Arising from the Establishing of Reduced Grain Transportation Rates.” The measure, initially announced last September, came into force on December 21st, 2017.

According to the decree, the total amount of subsidies allocated from the federal budget to “Russian Railways” for transportation of 3.181 MMT of grain is 2.99 billion rubles. The subsidies will apply to railway transportation of wheat, barley, and corn from 13 regions of the Central, Volga, Ural, and Siberia Federal Districts. The total grain volume approved for free transportation from each region is limited and indicated in Annex 1 below. The measure, in force through June 30th, 2018, is expected to stimulate grain exports from the involved regions, stabilize domestic grain prices, and support profit margins of agricultural producers.

Prime Minister Medvedev said that the subsidies were required because of Russia’s current record grain harvest, which totaled over 140 MMT and resulted in significant reserves in a number of Russian regions. “In order to stimulate the export of grain from such regions, a decree on the provision of subsidies to “Russian Railways” has been signed,” the Prime Minister said. Medvedev has confirmed subsidies for grain transportation from a number of Russian regions totaling 1 billion rubles in 2017 and 2 billion rubles in 2018.

Unofficial English translation of the decree with annexes is attached. In particular, the attachments include the following:

- Text of the rules for the provision of subsidies in 2017 and 2018;
- Annex 1 listing 13 regions and grain quantities (total) approved for free transportation from these regions;
- Annex 2 listing 12 territories where the grain shipments are authorized for transportation by rail;
- Annex 3 with a form of a report to claim the recovery of revenue losses arising from the establishing of reduced grain rail transportation rates.

BEGIN UNOFFICIAL TRANSLATION:

GOVERNMENT OF THE RUSSIAN FEDERATION

DECREE

No. 1595 of December 20, 2017

MOSCOW

On Approval of the Rules for the Provision of Subsidies from the Federal Budget in 2017 and 2018 to Open Joint Stock Company (OAO) "Russian Railways" for the Recovery of Revenue Losses Arising from the Establishing of Reduced Grain Transportation Rates

The Government of the Russian Federation decides:

1. To approve the attached Rules for the Provision of Subsidies in 2017 and 2018 from the Federal Budget to Open Joint Stock Company (OAO) "Russian Railways" for the Recovery of Revenue Losses Arising from the Establishing of Reduced Grain Transportation Rates.
2. This Decree is to be implemented by the concerned federal executive authorities within the limits of their staff numbers determined by the Government of the Russian Federation, as well as the budget appropriations assigned to the above authorities in the federal budget for administration and management in the sphere of designated functions.
3. The present Decree shall come into effect from the date of its official publication.

Government of the Russian Federation

Chairman

D. Medvedev

Round Seal No. 1
Executive Office of the Government
of the Russian Federation
Department of Business Services and Archive

APPROVED BY:
Decree of the Government
of the Russian Federation
No. 1595 of December 20, 2017

Rules for the Provision of Subsidies in 2017 and 2018 from the Federal Budget to Open Joint Stock Company (OAO) “Russian Railways” for the Recovery of Revenue Losses Arising from the Establishing of Reduced Grain Transportation Rates

1. These Rules establish goals, procedure and conditions for providing subsidies in 2017 and 2018 from the federal budget to Open Joint Stock Company (OAO) “Russian Railways” (hereinafter – the organization) for the recovery of revenue losses arising from the establishing of reduced grain transportation rates (hereinafter – subsidy).
 2. For the purposes of these Rules, grain means grain purchased by a shipper from the agricultural commodity manufactures producing grain (hereinafter – grain producers) or grain produced by a shipper.
 3. Subsidy is provided to the organization for the recovery of revenue losses arising from the establishing of reduced rates on grain transportation (Codes of the Classes of Transport Rates 011005, 014003, 015006) (hereinafter – grain cargoes) (free of freight charge) by rail mode from the railway stations of federal subjects of the Russian Federation pursuant to Annex 1 toward the railway stations of federal subjects of the Russian Federation pursuant to Annex 2 in the own railway rolling stock for cargo transportation and in containers for all kinds of shipments within the scope of grain cargoes procured at a price not less than the minimal price levels envisaged in Annex 1 to these Rules (hereinafter – transportation).
 4. Payment for the transportation of grain cargos (freight fee) charged by the organization but not collected from the shippers, being natural persons or legal entities who, according to the contract on transportation, act on their own behalf or on the behalf of owner of the grain cargo and are named in the shipment document proving the conclusion of the contract on transportation of the grain cargo (hereinafter – shipper) is calculated on the basis of rates specified in Section 2 of Price List No. 10-01 “Rates for cargo transportation and infrastructure services provided by the Russian railways,” taking into consideration the organization decisions on the revision of rates within the price limits.
- Additional services, duties and payments, as well as services of operators of the railway rolling stock relating to the transportation are not compensated in compliance with these Rules.
5. Transportation of grain cargos is subject to a favorable review of the Ministry of Agriculture of the Russian Federation stating that application on grain cargo transportation (hereinafter – application) submitted by the shipper to the organization meets the requirements mentioned in these Rules.
 6. To receive report from the Ministry of Agriculture of the Russian Federation, the organization shall, within one business day from the date of receipt of a shipper application, forward the application for consideration to the Ministry of Agriculture of the Russian Federation.

7. Along with forwarding an application to the organization, the shipper at the same time shall provide to the Ministry of Agriculture of the Russian Federation:

a) a copy of the grain cargo sale and purchase agreement authenticated by an authorized person which is concluded with the grain manufacturer and specifies the price of purchase of the grain cargo (hereinafter – copy of the grain cargo sale and purchase agreement) – in case where the grain cargo is procured from the grain producer;

b) copies of the statements on crop harvesting authenticated by an authorized person and filled out in due form of federal statistical monitoring No. 29-sh “Data on crop harvesting” or copies of the statements on crop harvesting filled out in due form of federal statistical monitoring No. 2-farmer “Data on crop harvesting” for the accounting year (hereinafter – copy of the document proving the production of grain) – in case where the shipper is grain producer.

8. The Ministry of Agriculture of the Russian Federation shall, within two business days from the date of arrival of an application from the organization and a copy of the sales and purchase agreement or a copy of the document proving the production of grain from the shippers, send a report (see p. 5 of these Rules) to the organization and to the Federal Agency for Railway Transport. The report is based on the review of the ratio of prices on grain cargo procurement within the sales and purchase agreement and the minimal level of grain prices envisaged in Annex 1 to these Rules.

In case where the shipper fails to submit to the Ministry of Agriculture of the Russian Federation a copy of the sales and purchase agreement or a copy of the document proving the production of grain, the Ministry of Agriculture of the Russian Federation shall send to the organization and to the Federal Agency for Railway Transport a report stating that the application is not compliant with the requirements envisaged in p. 3 of these Rules.

9. Application might be re-submitted by the shipper and the organization according to the procedure mentioned in p.p. 6 and 7 of these Rules.

10. Subsidy is provided to the organization in the amount of its revenue losses arising from the establishing of reduced rates on grain cargo transportation (free of freight charge) determined on the basis of shipment documents proving the conclusion of contract on grain cargo transportation as a sum of freight fee for the transportation of grain cargos charged by the organization but not collected from the shippers, and incurred within the period from the date of entry of these Rules into force and to June 30, 2018.

11. Subsidy is provided by the Federal Agency for Railway Transport within the limits of budget appropriations envisaged in the federal law on federal budget for a respective fiscal year and planned period, and the limits of budget commitments brought, in accordance with the established procedure, to the Federal Agency for Railway Transport as a recipient of funds from the federal budget for the goals specified in p. 3 of these Rules.

12. The amount of subsidy (S), corresponding to the amount of revenue losses of the organization arising from the establishing of reduced rates on grain cargo transportation (free of freight charge), taking into account the value added tax (VAT), is calculated according to the following formula:

$$S = (F \pm G) + (F \pm G) \times 0.18,$$

where:

F – sum of the freight charge not including value added tax (VAT);

G – sum of the freight charge shortages or overages not including VAT determined by the organization based on the documents proving the conclusion of the contract on transportation of grain cargos for earlier reporting periods;

0.18 – coefficient for taking VAT into account.

13. Subsidy is provided to the organization on the basis of agreement of subsidy provision concluded between the organization and the Federal Agency for Railway Transport using the template form approved by the Ministry of Finance of the Russian Federation, which envisages, inter alia, a consent of the organization for conducting mandatory inspections by the Federal Agency for Railway Transport in cooperation with the Ministry of Agriculture of the Russian Federation and the state financial control bodies to verify whether the organization complies with the goals, procedure and conditions of subsidy provision mentioned in these Rules.

14. For the purpose of concluding a contract on subsidy provision, the organization should meet the requirements mentioned in subparagraph “f” of p. 4 specifying the general requirements for the normative legal acts and municipal legal acts regulating the provision of subsidies to legal entities (except subsidies to state (municipal) institutions), individual entrepreneurs, as well as natural persons – producers of goods, jobs, services approved by Decree of the Government of the Russian Federation dated September 06, 2016, No. 887 “On general requirements for the normative legal acts and municipal legal acts regulating the provision of subsidies to legal entities (except subsidies to state (municipal) institutions), individual entrepreneurs, as well as natural persons – producers of goods, jobs, services”.

To conclude a contract on subsidy provision, the organization shall, on the first day of the month preceding the month in which the contract conclusion is planned, submit to the Federal Agency for Railway Transport the following statements signed by its top manager or another authorized person to prove that the organization comply with the following conditions:

a) the organization has no unsatisfied liability for taxes, fees, insurance contributions, fines, or penalties payable in accordance with the legislation on taxes and fees of the Russian Federation;

b) the organization has neither overdue indebtedness on the return of subsidies or budget investments provided, inter alia, in accordance with other legal acts to the federal budget, nor other overdue debts owed to the federal budget;

- c) the organization is not undergoing the process of reorganization, liquidation, bankruptcy;
- d) the organization is not a foreign legal entity or a Russian legal entity in whose authorized (pooled) capital the stockholdings of foreign legal entities registered in the state or territory included in the List of States and Territories which Grant Preferential Tax Treatment and (or) Do Not Require the Disclosure and Provision of Information in Relation to Financial Operations Carried Out (Offshore Zones) approved by the Ministry of Finance of the Russian Federation in relation to such legal entities, in aggregate exceed 50 percent;
- e) the organization is not receiving funds from the federal budget in accordance with other normative legal acts for the goals specified in p. 3 of these Rules.

15. The Federal Agency for Railway Transport shall, within 10 business days from the date of receipt of the statements mentioned in p. 14 of these Rules from the organization, review them and, if the organization meets the conditions specified in p. 14 of these Rules, conclude with the organization a contract on subsidy provision.

16. To receive subsidy, the organization shall submit to the Federal Agency for Railway Transport a report on the revenue losses arising from the establishing of reduced rates on grain cargo transportation (free of freight charge) using the form in accordance with Annex 3 (hereinafter – report) within the following time periods:

- a) for the period from the date of entry these Rules into force to December 31, 2017, as well as from January 01, 2018 to May 31, 2018, on a monthly basis, not later than the 20-th day of the month succeeding the reporting month;
- b) for the period from June 01 to June 30, 2018 (for the transportation of grain cargos shipped by June 30, 2018 inclusive and arrived at the station of destination in July 2018) – not later than August 10, 2018.

17. In case where the sum of freight charge for the transportation of grain cargos exceeds the amount of funds, assigned in the federal law on federal budget to a respective fiscal year and planned period, and the limits of budget commitments brought, according to the established procedure, to the Federal Agency for Railway Transport as a recipient of funds from the federal budget for the goals specified in p. 3 of these Rules, the grain cargos will be transported without the establishing of reduced rates (with freight payment charged) for the shippers.

18. The Federal Agency for Railway Transport shall, within 5 business days from the date of receipt of the report, and, in case where an updated report is submitted, within 2 business days from the date of its receipt, verify the report for completeness, reliability and correctness of the paperwork and make decision on the provision of subsidy to the organization or return of the report to the organization, indicating the reasons of its return.

The organization shall, within 5 business days from the date of receipt of the report returned by the Federal Agency for Railway Transport, eliminate the faults and submit an updated report to the Federal Agency for Railway Transport.

19. Reasons for the rejection of subsidy provision to the organization include:

- a) the report submitted by the organization does not conform to the form mentioned in Annex 3 to these Rules or the organization failed to submit the report (incomplete report submitted);
- b) unreliable information included in the report, the due form of which is given in Annex 3 to these Rules;
- c) unavailability of favorable review of the Ministry of Agriculture of the Russian Federation specified in p. 5 of these Rules.

20. In case where a decision is made on the rejection of subsidy provision, the Federal Agency for Railway Transport will return documents to the organization, indicating reasons of the rejection within 5 business days from the date of making such decision.

21. Subsidy shall be transferred to settlement account of the organization opened in an institution of the Central Bank of the Russian Federation or in a credit institution not later than on the 10-th business day from the date of decision made by the Federal Agency for Railway Transport on the provision of subsidy to the organization.

22. The Federal Agency for Railway Transport takes into consideration amounts and terms of subsidy provision for projecting cash payments from federal budget required for the development of cash budget according to the established procedure with respect to the implementation of the federal budget.

23. Oversight of compliance with the goals, conditions and procedure of subsidy provision is conducted by the Federal Agency for Railway Transport in cooperation with the Ministry of Agriculture of the Russian Federation and the federal executive agency which carries out control and supervision functions in the financial and budgetary sphere.

In case, where the results of inspections conducted by the Federal Agency for Railway Transport in cooperation with the Ministry of Agriculture of the Russian Federation and/or the competent government financial control agency demonstrate non-compliance with the goals, conditions or procedure of subsidy provision, the respective funds are subject to return to federal budget revenue:

- a) based on the requirement of the Federal Agency for Railway Transport – not later than 15 business days from the date of its receipt by the organization;
- b) based on the provision and/or instruction of the competent government financial control agency – within the time periods established in accordance with the budget legislation of the Russian Federation.

Annex 1

To the Rules for the Provision of Subsidies in 2017 and 2018 from the Federal Budget to Open Joint Stock Company (OAO) "Russian Railways" for the Recovery of Revenue Losses Arising from the Establishing of Reduced Grain Transportation Rates

List of Regions for Grain Shipments (Codes of Unified Tariff Statistical Nomenclature of Cargoes 011005, 014003, 015006) Transported by Rail, Volumes of Grain Shipments, Transported from their Territories, and Levels of Minimum Purchasing Prices for Grain on their Territories

| Name of the Territory of the Russian Federation | Grain Volume s, in 1,000 MT | Levels of Minimum Purchasing Prices for Grain, rubles per MT | | | | | | | | | |
|---|--------------------------------------|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | 3rd class wheat | | 4th class wheat | | 5th class wheat | | barley | | corn | |
| | | value-added tax | value-added tax | value-added tax | value-added tax | value-added tax | value-added tax | value-added tax | value-added tax | value-added tax | value-added tax |
| | | inclusive | non-inclusive | inclusive | non-inclusive | inclusive | non-inclusive | inclusive | non-inclusive | inclusive | non-inclusive |
| 1. Voronezh oblast | 200 | 9,000 | 8,182 | 8,100 | 7,364 | 6,600 | 6,000 | 6,800 | 6,182 | 6,900 | 6,273 |
| 2. Kurgan oblast | 320 | 8,600 | 7,818 | 7,200 | 6,545 | 5,900 | 5,364 | 7,000 | 6,364 | - | - |
| 3. Kursk oblast | 140 | 9,000 | 8,182 | 8,100 | 7,364 | 6,600 | 6,000 | 6,800 | 6,182 | 6,900 | 6,273 |
| 4. Lipetsk oblast | 150 | 9,000 | 8,182 | 8,100 | 7,364 | 6,600 | 6,000 | 6,800 | 6,182 | 6,900 | 6,273 |
| 5. Novosibirsk oblast | 100 | 8,000 | 7,273 | 6,900 | 6,273 | 6,300 | 5,727 | 6,900 | 6,273 | - | - |
| 6. Omsk oblast | 100 | 8,000 | 7,273 | 6,900 | 6,273 | 6,300 | 5,727 | 6,900 | 6,273 | - | - |
| 7. Orenburg oblast | 350 | 8,700 | 7,909 | 7,900 | 7,182 | 6,500 | 5,909 | 6,500 | 5,909 | - | - |
| 8. Oryol oblast | 100 | 9,000 | 8,182 | 8,100 | 7,364 | 6,600 | 6,000 | 6,800 | 6,182 | 6,900 | 6,273 |
| 9. Penza oblast | 170 | 8,700 | 7,909 | 7,900 | 7,182 | 6,500 | 5,909 | 6,500 | 5,909 | 7,300 | 6,636 |
| 10. Samara oblast | 270 | 8,700 | 7,909 | 7,900 | 7,182 | 6,500 | 5,909 | 6,500 | 5,909 | 7,300 | 6,636 |
| 11. Saratov oblast | 751 | 8,700 | 7,909 | 7,900 | 7,182 | 6,500 | 5,909 | 6,500 | 5,909 | 7,300 | 6,636 |

[illegible]

Annex 2
To the Rules for the Provision of Subsidies in 2017 and
2018 from the Federal Budget to Open Joint Stock
Company (OAO) “Russian Railways” for the Recovery of
Revenue Losses Arising from the Establishing of Reduced
Grain Transportation Rates

List
of Subjects of the Russian Federation to Which Destination
of Railway Stations Grain Shipments (Codes of Unified Tariff
Statistical Nomenclature of Cargoes 011005, 014003, 015006)
are Transported by Rail

Name of the Territory of the Russian Federation

1. Republic of Buryatiya
2. Republic of Dagestan
3. Zabaykalye kray
4. Krasnodar kray
5. Primorskiy kray
6. Khabarovskiy kray
7. Astrakhan oblast
8. Kaliningrad oblast
9. Leningrad oblast
10. Murmansk oblast
11. Rostov oblast
12. St. Petersburg City

Annex 3

To the Rules for the Provision of Subsidies in 2017 and 2018 from the Federal Budget to Open Joint Stock Company (OAO) "Russian Railways" for the Recovery of Revenue Losses Arising from the Establishing of Reduced Grain Transportation Rates

(Form)

Report on the Recovery of Revenue Losses Arising from the Establishing of Reduced Grain Rail Transportation Rates (free of freight) for _____(month, year)

| (rubles) | | | | | | | | | | |
|---|--|--|----------------------|-------------------------|-----------------------------|---|---|--|--|--|
| Name of the Shipper ¹ | Number of Consignment ² , date for cargo acceptance for shipment | Title in UTSN of Cargoes ³ | Shippin g Station | Destinatio n Station | Shipmen t Volume (MT) | Freight Charge with VAT non- inclusiv e | Adjustmen t amount of freight charge with VAT non- inclusive based on the reports from previous periods (+/-) | Revenue Losses with value- added tax non- inclusiv e (column 7+8) | Value Added Tax Amount ⁴ (column 9 *0.18) | Revenue Losses with VAT inclusiv e (column 9 + column 10) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | | | | | | | | | | |

¹ Private individual or legal entity who according to the contract on transportation act on their own behalf or on the behalf of owner of grain cargo and are named in the shipment document proving the conclusion of the contract on transportation of the grain cargo.

² Document certifying conclusion of contract for grain shipment (railway consignment document).

³ Unified Tariffs Statistical Nomenclature of Cargoes.

⁴ In case if shipment is subject to VAT in the amount of 18 percent.

END UNOFFICIAL TRANSLATION.